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Livestock and Fibre markets

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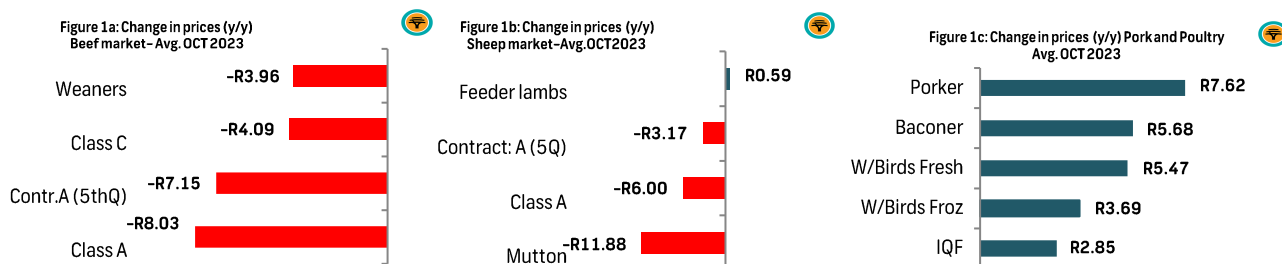
Paul Makube | Tumi Kgasago | Vhutshilo Mabela | 08 NOV 2023

UPDATE ON LIVESTOCK MARKETS

A rebound in demand boosted meat prices early in November 2023

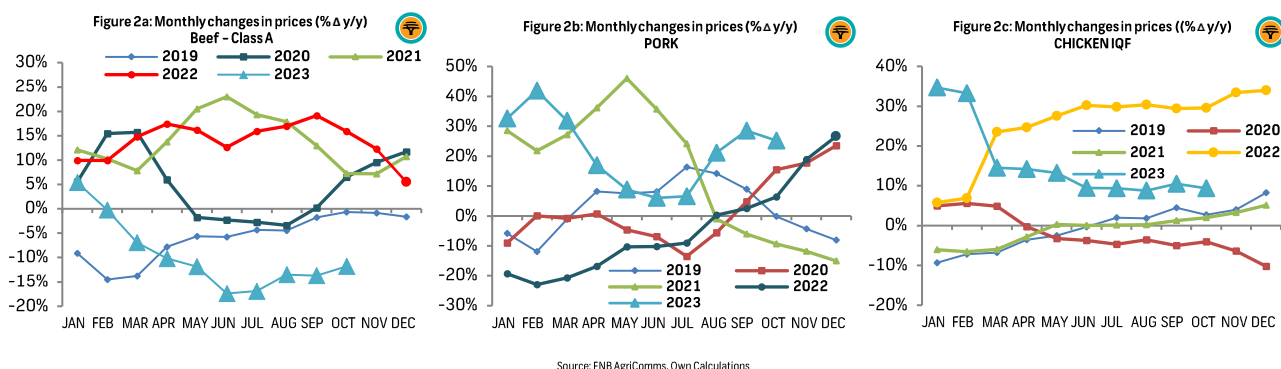
- Latest trends in the livestock market showed modest gains across the meat complex at the beginning of November 2023. The rebound in demand coupled with supply tightness underpinned gains in prices.
- Beef prices have been under downward pressure in the past few months and struggled to lift back to the lofty highs above R60/kg for class A's and recently averaged R54.23/kg. Weaner calf prices also posted marginal gains early in the month.
- We saw a similar trend in sheep market with class A lamb and mutton prices gaining marginally but still failing to breach the R90/kg and R70/kg levels at R85.14/kg and R61.88/kg respectively.
- The pig market saw a mixed trend with a marginal contraction for porkers while baconers extended recent gains to finish higher in the first week of November 2023. Poultry prices retained the uptrend on concerns over the potential supply tightness due to the recent severe outbreak of the avian influenza.
- Nonetheless, the monthly trends for October 2023 show that beef and mutton continued to trade way below the 2022 levels as illustrated in figures 1a and 1b. Contract class A beef and weaner calf prices fell by 12% (-R7.15/kg) y/y and 11% (-R3.96/kg) y/y respectively during October 2023.
- In contrast, the pork, baconer, and poultry markets continued to trade at a huge premium over the 2022 levels. Pork and baconers were the biggest gainers in October with increases of 25% (+R7.32/kg) and 18% (+R5.68/kg) y/y respectively (figure 1c).
- Poultry saw gains of 17.4% (+R5.47/kg), 11% (+R3.69 /kg), and 9.4% (+R2.85/kg) y/y respectively for the medium fresh whole birds, medium frozen whole birds, and the individually quick frozen (IQF) portions.

Figure 1: Changes in average monthly livestock prices (% Δ y/y)



Source: FNB AgriComms

- Although there are still concerns over the avian flu, indications are that stocks are relatively adequate to meet medium term demand. However, disease containment and repopulation will be critical beyond December 2023
- The growth trend for beef showed some improvement in October 2023 relative to 2022 although still in negative territory. The historical growth trend in pork remains the highest despite a slowing down after a good posting in the previous month (figure 2b). For chicken, the trend was sideways and still way below the 2022 levels as illustrated in figure 1c.

Figure 2: Growth trends for producer prices of various meat types (% Δ y/y)

A surprise uptick in the 2023/24 maize planted area estimate raises hopes of feed price containment in the year ahead.

- South Africa's farmers seem to be unfazed by the El Niño scare if one looks at the first intentions to plant data which showed a 2% y/y increased in planted area under maize for the 2023/24 crop season.
- At 2.63 million hectares for maize, this is way above the long-term average of 2.53m ha and likely to deliver another bumper crop above 16m tons.
- This bullish outlook limits further upside for maize prices thus indicating a possibility for softer feed prices in the year ahead which bodes well for profitability for livestock feeders.
- On oilseeds, soybean plantings are expected to drop by 7% y/y but still at good levels of 1m ha. This is however somewhat compensated by a sharp rebound of 15.2% y/y in sunflower planted area to 640,000 ha. Both crops are major sources of plant protein for livestock feed.
- Maize futures prices have since eased back below the R4,000/ton level with the Mar-24, May-24, and Jul-24 yellow maize contracts already falling by 9.4%, 5.6%, and 6.5% respectively in recent trades relative to the previous month (see table 1).
- So far, yellow maize prices fell by 1.7% m/m and 22% y/y on the back of bullish domestic and global production outlook (figure 3a). White maize prices fell by 3.8% m/m and 20.7% y/y in October 2023.

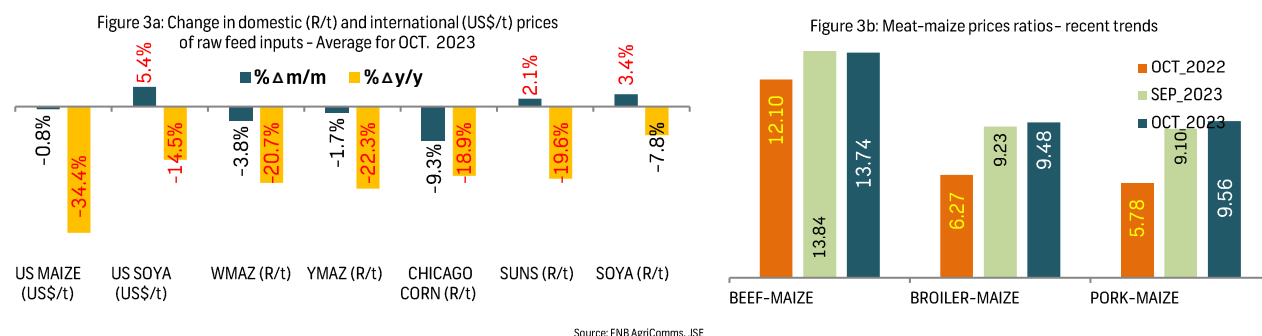
Table 1: Raw feed inputs – Latest price trends in JSE grain and oilseed futures market (R/ton)

07 NOV 2023	WMAZ R/ton	% Δ m/m	YMAZ R/ton	% Δ m/m	SUNS R/ton	% Δ m/m	SOY R/ton	% Δ m/m
Mar-24	R3,849	-8.1%	R3,757	-9.4%	R9,035	-0.1%	R9,282	-0.4%
May-24	R3,856	-7.1%	R3,785	-5.6%	R8,794	0.6%	R8,920	2.6%
Jul-24	R3,903	-5.9%	R3,793	-6.5%	R8,887	1.1%	R9,024	2.2%
Sep-24	-	-	R3,880	-	-	-	-	-
Dec-24	R4,089	-5.0%	R3,985	-4.9%	-	-	-	-

Source: JSE,

- Profitability indicators: The monthly meat-maize price ratios showed strong growth of 5% m/m and 65% y/y for pork while broilers advanced by 3% m/m and 51% y/y in October. Although easing by 0.8% m/m, the beef meat-maize ratio was much better than last year with an increase of 14% y/y (figure 3b).

Figure 3: Changes in prices of raw feed inputs and the meat-maize price ratios for beef, broiler, and pork.

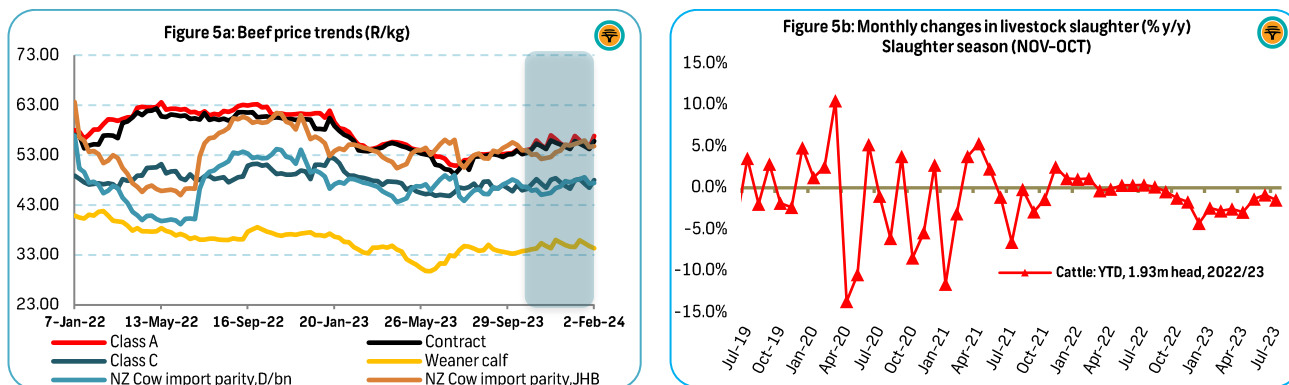


OUTLOOK

- A further decline in fuel prices in December following a drop in November bodes well for both producers and consumers as we head closer to the festive period.
- We expect upside pressure on meat prices due to the HPAI-induced supply tightness in the medium term. However, the potential government intervention such as short-term rebates on imports for poultry products may help curtail further upside in prices.
- Weather forecasts still point to some rains in the early part of summer thus boosting pasture conditions. However, the prevalence of the extremely high temperatures associated with the El Nino may cause production losses due to morbidity in animals.

AgroMetrics: Livestock Charts & Data Tables

Figure 4: Beef prices and cattle slaughter trends

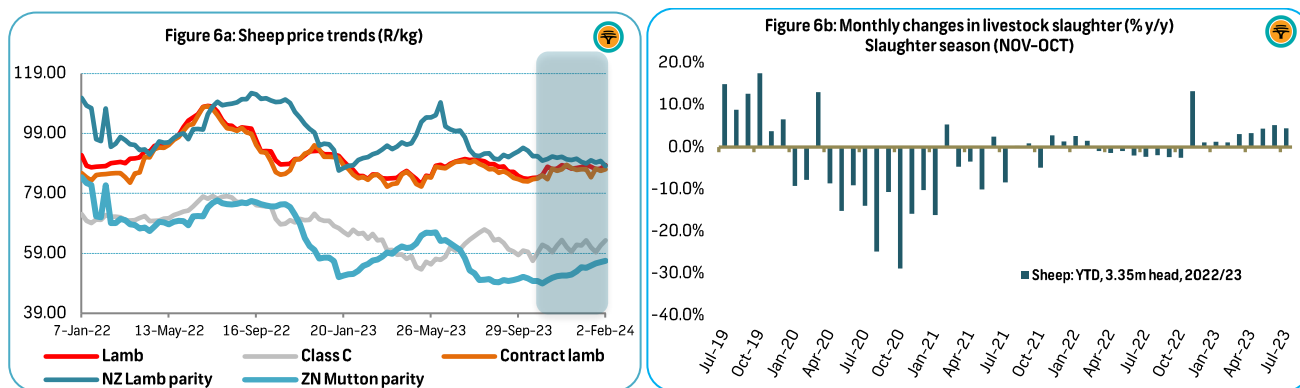


*Last thirteen data points on figure 2a are preliminary

Source: Red Meat LevyAdmin

Weekly summary of the sheep market

Figure 5: Lamb and mutton prices and sheep slaughter trends

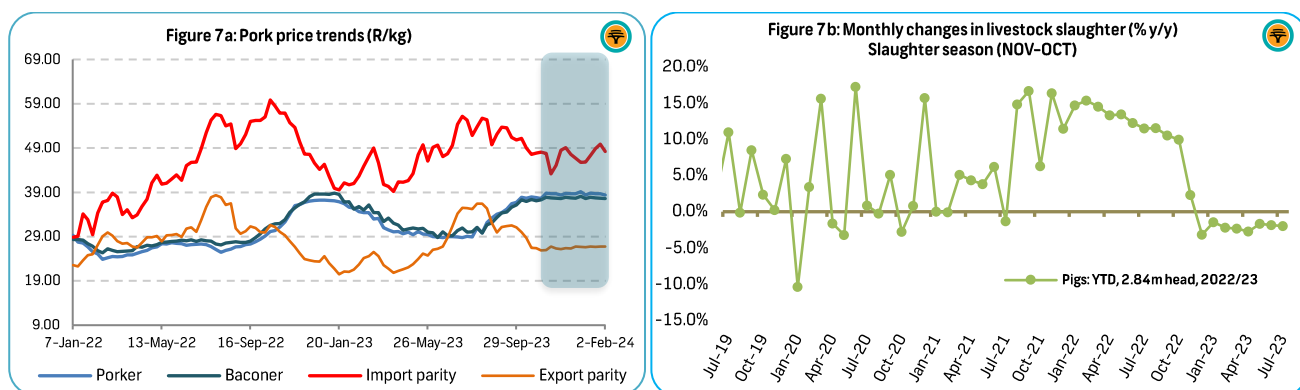


*Last thirteen data points on figure 3a are preliminary

Source: Red Meat LevyAdmin

Weekly pork market

Figure 6: Pork prices and slaughter trends

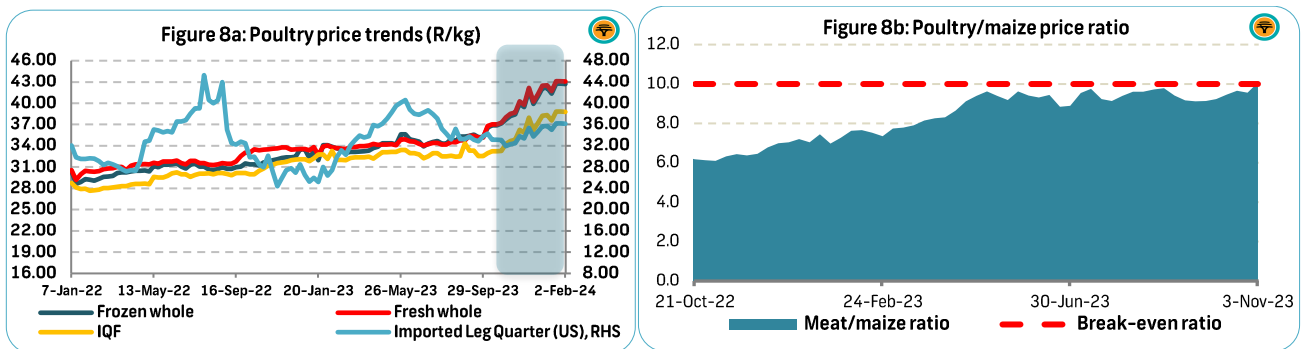


*Last thirteen data points on figure 4a are preliminary

Source: Red Meat LevyAdmin

Weekly poultry market update

Figure 7: Poultry prices and meat/maize ratio trends

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